MANAGED CARE CREDIT
USE CHANGED FROM MANDATORY TO VOLUNTARY

Effective July 1, 2003

The NH Insurance Department has filed with NCCI to change the use of the mandatory managed care credit to voluntary. Insurance companies using the services of Certified Managed Care Organizations in New Hampshire will have the flexibility of providing this service to their policyholders with the use of 0% to 10% credit.

The following is a synopsis of the reasons/rationale for the withdrawal of the mandatory managed care credit for voluntary workers compensation policies.

History

RSA 281-A:23-a mandates that managed care be a part of the assigned risk program but it did not mandate the use of managed care in the voluntary market.

The use of managed care in the WC arena was a big part of the reforms of the early 1990's. In order for companies and policyholders to be aware of this cost saving feature, it was suggested that a 10% credit be available for any insured who participated in a managed care program.

Effective January 1, 1994 the Insurance Department made a filing with NCCI that mandated the use of a 10% credit to the WC premium if the insurance company or insured contracted for the services of a Certified Managed Care program.

Experience

Since that time both insurance companies and policyholders have worked within this system using insurance company loss prevention programs and Labor Department safety programs, to try to control the frequency and severity of WC losses. We believe the major goals associated with the use of managed care programs (reducing total claim costs and early return to work) have been achieved. Over the years many surveys have tried to pinpoint if managed care has produced a 10% savings. Because of many intervening factors, there is no clear-cut manner by which it can be determined if Managed Care in and of itself has produced a 10% savings of claims expenses.

Whatever the ultimate benefit of Managed Care Programs is, we can safely assume that, at this point, all associated reductions in medical and indemnity costs are being reflected in the loss costs filed and approved for use. The following table shows year-by-year changes in overall loss costs and supports the view that the need for a mandatory additional credit is redundant.

1995	-2.6%	1996	-7.1%	1997	-6.6%	1998	-10.7%
1999	-3.1%	2000	0.% - No filing	2001	+.9%	2002	-6.7%
2003	+1.3%						

Company Perspective

Companies view the mandatory nature of the managed care credit as a triple "cost redundancy". First they believe that all benefits and realized savings are embedded in current loss costs. Second is the 10% credit itself. And third is the expense costs associated with monies paid to the MCO's for their services.

Companies do support the use of managed care programs and realize the benefits of their continued use. An informal survey completed by the Insurance Department last year asked the top 15 WC carriers their view of managed care. All but one indicated that they would continue using Certified MCOs if the credit was made voluntary. There would be no change in the way insurance companies work with MCOs with the change to a voluntary credit given to the policyholder. However without the change the likely result would be that many insurance companies would discontinue the use of the mandatory credit altogether and not use the services of an MCO.

Lorette Gendron – Insurance Department – May 8, 2003.